

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 20-F**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
*for the fiscal year ended December 31, 2006*

Commission File No. 0-28998

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**ELBIT SYSTEMS LTD.**

(Exact Name of Registrant as Specified in its Charter and Translation of Registrant's Name into English)

**Israel**  
(Jurisdiction of incorporation or organization)

**Advanced Technology Center, Haifa 31053, Israel**  
(Address of principal executive offices)

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Securities registered or to be registered pursuant to Section 12(b) of the Act:  
**Ordinary Shares, nominal value 1.0 New Israeli Shekels per share**  
 (Title of Class)

Securities registered or to be registered pursuant to Section 12(g) of the Act:

**Not Applicable**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

**Not Applicable**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

**42,016,674 ordinary shares**

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

**Yes  No**

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If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

**Yes  No**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

**Yes  No**

The following table sets forth our revenue distribution by areas of operation:

	Year ended			
	December 31, 2006		December 31, 2005	
	\$ millions	%	\$ millions	%
Airborne systems	547.8	35.9	420.8	39.3
Land systems	317.7	20.9	117.4	11.0
C(4)ISR systems	313.5	20.6	217.3	20.3
Electro-optics	223.3	14.7	242.3	22.7
Other (mainly non-defense engineering and production services)	120.9	7.9	72.1	6.7
<b>Total</b>	<b>1,523.2</b>	<b>100.0</b>	<b>1,069.9</b>	<b>100.0</b>

The following table sets forth our distribution of revenues by geographical regions:

	Year ended			
	December 31, 2006		December 31, 2005	
	\$ millions	%	\$ millions	%
Israel	407.1	26.7	315.4	29.5
United States	609.5	40.0	397.5	37.2
Europe	233.7	15.3	104.2	9.7
Other countries	272.9	18.0	252.8	23.6
<b>Total</b>	<b>1,523.2</b>	<b>100.0</b>	<b>1,069.9</b>	<b>100.0</b>

The changes in revenues by areas of operation, other than the inclusion of Elisra, were in revenues from customers for land systems, which were increased mainly as a result of sales related to systems supplied to the USMC.

The changes in revenues by geographic distribution, other than standard quarterly fluctuations, were in the revenues from customers in Europe and the U.S., which were increased mainly as a result of the Watchkeeper project in the United Kingdom and systems to the USMC.

#### Gross Profit

Our gross profit represents the aggregate results of our activities and projects and is based on the mix of programs in which we are engaged during the reported period.

Gross profit in 2006 was \$373.5 million (with a gross profit margin of 24.5%), as compared to \$279.8 million (gross profit margin of 26.1%) in 2005. The decrease in the gross profit margin was mainly as a result of the lower gross profit margin generated by Elisra.

## Item 6. Directors, Senior Management and Employees.

### Directors and Executive Officers

#### Board of Directors

The directors of Elbit Systems as of May 31, 2007 are as follows:

<u>Name</u>	<u>Age</u>	<u>Director Since</u>
Michael Federmann (Chairman)	64	2000
Moshe Arad	72	2005
Avraham Asheri	69	2000
Rina Baum	62	2001
David Federmann	32	2007
Yaacov Lifshitz (External Director)	63	2003
Yigal Ne'eman	65	2004
Dov Ninveh	60	2000
Nathan Sharony (External Director)	72	2002

The term of office of each director, other than the External Directors, expires at the annual general shareholders meeting to be held during 2007. The term of office for Nathan Sharony as an External Director expires in March 2008 and for Yaacov Lifshitz as an External Director in August 2009.

**Michael Federmann.** Michael Federmann has served as Chairman of the Board of Directors since the merger with Elop in 2000. He served as Chairman of the Board of Directors of Elop from 1988 until the merger. He has held managerial positions in the Federmann Group since 1969, and since 2002 he has served as Chairman and CEO of Federmann Enterprises Ltd. (FEL). Currently, he also serves as Chairman of the Board of Directors of Dan Hotels Corp. Ltd. (Dan Hotels). Mr. Federmann is Deputy Chairman of the Board of Governors of the Hebrew University in Jerusalem (the Hebrew University) and a member of the Board of Governors and the Executive Council of the Weizmann Institute of Science. He serves as the President of the Israel-Germany Chamber of Industry and Commerce. Mr. Federmann holds a bachelor's degree in economics and political science from the Hebrew University.

**Moshe Arad.** Moshe Arad served as Vice President for External Relations of the Hebrew University from 1994 to 2004. He currently serves on the Board of Directors of Discount Investment Corporation Ltd. From 1994 to 1999, he was member of the Board of Directors of Elbit Ltd. During 1992 and 1993, Mr. Arad served as Director General of the Israel Ministry of Communications. From 1990 to 1992, he was a member of the Tel-Aviv law firm of Herzog, Fox, Ne'eman. Mr. Arad served as Israel's Ambassador to the United States from 1987 to 1990 and as Israel's Ambassador to Mexico from 1983 to 1987. Ambassador Arad holds a bachelor's degree in political science and international relations and a L.L.B. degree from the Hebrew University.

**Joseph Ackerman.** Joseph Ackerman was appointed as President and Chief Executive Officer in 1996. From 1996 to 2004, he served as a member of the board of directors of Elbit Systems. From 1994 to 1996, he served as Senior Vice President and General Manager of Elbit Ltd.'s Defense Systems Division (EDS). Mr. Ackerman joined Elbit Ltd. in 1982 and held various management positions, including General Manager – EFW, Senior Vice President — Operations Group, Vice President — Operations and Vice President — Advanced Battlefield Systems. He serves as Chairman or a director on the boards of many of the companies in the Elbit Systems Group. Mr. Ackerman holds a bachelor of science degree in aeronautical engineering from the Technion.

**David Block Temin.** David Block Temin was appointed Corporate Vice President in 2000 and has served as General Counsel since 1996. From 1987 to 1996, he was a Legal Advisor to Elbit Ltd. Prior to that, Mr. Block Temin was an attorney with law firms in New York City. Mr. Block Temin received a juris doctor degree as well as a master of arts degree in international relations from Stanford University and holds a bachelor of arts degree in political science from the University of Maryland. He is admitted to the Israeli and New York bars.

**Guy Brill.** Guy Brill was appointed as Corporate Vice President and Co-General Manager – Technologies and Operations Division in 2005. From 2001 until his current appointment, he served as Corporate Vice President – Business Synergy of Elbit Systems U.S. Corp., a U.S. subsidiary of the Company. Prior to that he held various management positions including Elbit Systems' Chief Operating Officer, Co-Manager of the C<sup>(3)</sup> and Battlefield Information Systems Strategic Business Unit, Vice President for Processes Improvement and Quality and Vice President and Division Manager of the Command and Control Systems Division of EDS. Mr. Brill joined Elbit Ltd. in 1985. Prior to that, Mr. Brill served in the IDF in the R&D branch of the Ground Forces, and as an artillery officer, where he holds the rank of Colonel (reserve). Mr. Brill holds a bachelor of science degree in electronic engineering from the Technion and a master of science of management degree from the Polytechnic University of New York. He is also a graduate of the Harvard University Business School's Advanced Management Program.

**Joseph Gaspar.** Joseph Gaspar was appointed Corporate Vice President and Chief Financial Officer in 2001. He served as Corporate Vice President – Strategy, Technology and Subsidiaries from the Elop merger in 2000 until 2001. From 1996 until the merger, he held the position of Corporate Vice President, Marketing and Business Development of the Elop Group. Mr. Gaspar joined Elop in 1975 and held several management positions, including Vice President and General Manager of Elop's Optronics Product Division and co-manager of an Elop subsidiary in the United States. He serves as a director for several of the companies within the Elbit Systems Group. Mr. Gaspar holds a bachelor of science degree from the Technion in electronic engineering with advanced studies in digital signal processing and communication.

**Zeev Gofer.** Zeev Gofer was appointed Corporate Vice President – Business Development and Marketing in 2003. He previously served as Corporate Vice President and as Co-General Manager — Aircraft and Helicopter Upgrades and Systems from 2000. From 1999 until 2000, he was Vice President — Aircraft Upgrades and Airborne Systems Division, having served as Division Manager since 1996. He joined Elbit Ltd. in 1982 and held various management positions, including Director of EDS' Aircraft Upgrade Division, director of a major aircraft upgrade program, director of avionics system engineering and technical manager of the LAVI avionics program. Mr. Gofer holds bachelor and master of science degrees in electronic engineering from the Technion and a master of science of management degree from the Polytechnic University of New York.

**Dalia Gonen.** Dalia Gonen was appointed as Vice President – Human Resources in 2000. She became Director of Human Resources in 1996. Ms. Gonen joined Elbit Ltd. in 1971 and held various positions in the Human Resources Department. Ms. Gonen holds a bachelor of arts degree in sociology from Haifa University and a master of science of management degree from the Polytechnic University of New York.

**Ran Hellerstein.** Ran Hellerstein was appointed Corporate Vice President and Co-General Manager — Aircraft and Helicopter Upgrades and Systems in 2000 and became Co-General Manager — Airborne and Helmet Systems in 2003. From 1996 until 2000, he served as Vice President — Development and Engineering Division, having served as Division Manager since 1993. Mr. Hellerstein joined Elbit Ltd. in 1978 and served in various management positions, including Manager of EDS' Engineering Division, department manager, technical manager and systems engineer. Mr. Hellerstein holds bachelor and master of science degrees in electrical engineering from the Technion.

**Haim Kellerman.** Haim Kellerman was appointed Corporate Vice President and General Manager – UAV Systems in 2004. From 2002 until his current appointment, Mr. Kellerman was Vice President — UAV Programs. Prior to that he held various senior program management positions relating to UAV, C4I and airborne programs. He joined Elbit Ltd. in 1978. Mr. Kellerman holds a bachelor of science degree in computer science from the Technion.

There are no service contracts or similar arrangements with any director that provide for benefits upon termination of directorship. See below — Item 10. Additional Information — General Provisions of Israeli Law and Related Provisions — Appointment of Directors.

Nasdaq's director independence and related rules applicable to the board of directors became applicable with respect to Elbit Systems in 2005. Under these rules, Elbit Systems Ltd.'s board of directors is required to meet the Nasdaq director independence criteria. Certain other rules also became applicable regarding independent directors serving on a director nomination committee and approving the compensation to Elbit Systems' Chief Executive Officer.

**Audit Committee.** Nathan Sharony (chairman), Moshe Arad, Avraham Asheri, Yaakov Lifshitz and Yigal Ne'eman are currently members of the audit committee of the Board (the Audit Committee). The Audit Committee operates in accordance with an Audit Committee charter that provides the framework for their oversight functions consistent with Israeli and U.S. legal and regulatory requirements. Nasdaq's director independence requirements for audit committee members took effect with respect to Elbit Systems in 2005, and all the members of the Audit Committee meet such requirements. The Audit Committee meets from time to time in executive sessions and also conducts annual assessments of the sufficiency of its charter and of the Committee's compliance with its obligations. See below — Item 10. Additional Information — General Provisions of Israeli Law and Related Provisions — Internal Auditor and Audit Committee; Item 16A. Audit Committee — Financial Expert and Item 16D. Exemptions from Listing Standards for Audit Committees.

## Employees

**Number of Employees.** Most of our employees are based in Israel, and we have a significant amount of employees in the United States. A significant majority of the employees who are not U.S. employees are in Israel. The total number of employees worldwide and the number of employees in the U.S. at the end of 2006, 2005 and 2004 were as follows:

	<u>Total Employees</u>	<u>U.S. Employees</u>
2006	8,030	1,357
2005	6,340	1,225
2004	5,782	1,150

**Employment Contracts.** Most of our Israeli employees have individual employment contracts. However, by law some employees receive rights under a number of general collective bargaining agreements and under Israeli employment laws. See above — Item 4. Information on the Company — Conditions in Israel — Israeli Labor Laws. We believe our overall relationship with our employees is satisfactory.